



## SECTION 12



# Risk Management and Self-Insurance Premiums

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## 12.1 Risk management receives more emphasis in the budget

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**Risk Management Task Force recommendations seek to reduce tort costs to state**

An unprecedented increase in damages from tort lawsuits spurred Governor Locke and Attorney General Gregoire to co-sponsor a Risk Management Task Force in early 2001. The goal of the task force was to better protect the public, reduce loss and damages related to state services, and recommend ways to improve the state's risk management program. The complete task force recommendations can be found at <http://www.wa.gov/ago/riskmanagement/>.

Governor Locke issued Executive Order 01-05 on December 7, 2001, which implements a number of the task force recommendations. The order requires state agencies to undertake the following:

- Place a higher priority on loss prevention through agency development of risk management goals in partnership with the state's risk management office.
- Allocate resources, to the greatest extent possible, to services for which the state bears the greatest liability.
- Prioritize staff training to address risk management.
- Manage all aspects of employee performance.
- Involve employees and the community in reducing the risk that grows out of services delivery.

**The move of the Risk Management Office to OFM means closer link between risk management and budget policy**

One of the recommendations adopted by the Legislature was moving the Risk Management Office to OFM to establish statewide risk management responsibility at a policy level in state government. Agencies should see risk management policy more integrated into the financial management policies of OFM. Budget and risk management analysts will work closely together during budget development to ensure appropriate emphasis is placed on risk management in agency budgets.

## 12.2 Agency self-insurance premiums decision packages

**Self-insurance premiums will now be budgeted through decision packages**



An agency's self-insurance premium will now be budgeted as a distinct line item at either the maintenance or performance level instead of through the revolving fund adjustment process. This is in response to the Risk Management Task Force's recommendation to provide higher visibility for statewide risk management and risk financing.

This approach is designed to enhance the oversight of agency loss trends and to improve strategies to mitigate future losses. Agencies with past and potential future loss experience as the primary driver of the agency premium increase will be asked to prepare a performance level decision package. Agencies with less frequent and severe losses will be asked to complete a maintenance level decision package.

**OFM will notify agencies about which type of decision package to submit**



OFM will notify agencies later this spring indicating the incremental change in the agency's self-insurance premium for 2003-05 and whether the agency should prepare a maintenance or performance level decision package for this amount.

**Include the following information in the self-insurance premium decision package**



Please include the following information in the self-insurance premium decision package narrative. When addressing the following topics, do not include confidential information related to a specific closed or pending claim/lawsuit. Seek advice from assigned agency legal staff if questions arise.

- Provide the dollar amount of your agency's self-insurance premium for previous (1999-01), current (2001-03), and ensuing biennia (2003-05) in the decision package narrative. (In the fiscal detail area, enter only the incremental increase or decrease from 2001-03.)
- Summarize your agency's loss trends over the last five years.
- Summarize your agency's potential future loss trends and explain the strategies your agency will use to mitigate/preclude these losses from occurring in the future.
- Describe actions your agency has taken to comply with the Governor's Executive Order.
- Discuss agency risk management goals, performance measures, and progress toward meeting goals.

See Sections 5.2 and 6.1 for the correct RecSum code to use for these decision packages. Self-insurance premium performance level decision packages should receive a number one priority.

**Agency strategic plans should discuss risk management goals and efforts**



Agency strategic plans should include a discussion of risk management issues faced by the agency, risk management goals, objectives, and performance measures. We encourage agencies to review the Governor's Executive Order 01-05 at [http://www.governor.wa.gov/eo/eo\\_01-05.htm](http://www.governor.wa.gov/eo/eo_01-05.htm), the agency's loss history profiles provided by the Office of Risk Management (ORM), agency pending claims, and ORM's Web site at <http://www.ga.wa.gov/risk/risk.htm> to identify agency risk management issues.

The Office of Risk Management staff is available to assist you with interpreting loss trends and developing risk management goals. Please contact ORM Loss Prevention Manager, Jolene Bellows, at (360) 902-7312.